

LOCAL AGENCY FORMATION COMMISSION COUNTY OF SAN BERNARDINO

175 West Fifth Street, Second Floor, San Bernardino, CA 92415-0490
• (909) 387-5866 • FAX (909) 387-5871
E-MAIL: lafco@lafco.sbcounty.gov
www.sbclafco.org

DATE: April 4, 2003
FROM: KATHLEEN ROLLINGS-McDONALD, Acting Executive Officer
TO: LOCAL AGENCY FORMATION COMMISSION

SUBJECT: AGENDA ITEM #5B: Preliminary Review of Budget Matters for Fiscal Year 2003-04

RECOMMENDATION:

- 1) Review and adopt the Proposed Budget for FY 2003-04 and take the following actions related to policy items:
 - a) Authorize the Executive Officer to sign the letter of engagement with the County Auditor-Controller/Recorder to conduct the financial audit of LAFCO for FY 2002-03;
 - b) Authorize the Executive Officer to sign the "Attachment #1 – Service Estimate for 2003/2004" with the County's Information Services Department to provide information technology services for the Commission for the upcoming fiscal year; and,
 - c) Find that pursuant to Government Code Section 56381, the programs and purposes of the Cortese-Knox-Hertzberg Government Reorganization Act of 2000 and the Commission can be met within the reduced budget proposed for Fiscal Year 2003-04.
- 2) Direct staff to forward the adopted Proposed Budget to all the independent special districts, all cities, and the County for their comment pursuant to Government Code Section 56381; and,
- 3) Schedule a public hearing for May 21, 2003 for the formal adoption of the Final Budget for Fiscal Year 2003-04.

BACKGROUND:

At the April hearing, the Commission will begin its own version of the annual rite of spring by commencing its budget review for Fiscal Year 2003-04. As so often happens, the Commission is faced with questions on future activity levels based upon the State's budget crisis, whose effects are somewhat known at the State level, and somewhat unknown at the local level. The only attribute of this budget crisis that is assured at this time, is that it will affect each and every agency with which LAFCO works.

Based upon these circumstances, as we approach this review, the staff has attempted to do two things: (1) maintain funding for programs and services provided by the Commission; and (2) reduce costs wherever possible. One advantage for the Commission at this juncture is that computer systems and components have been replaced over the last two years, so major expenditures are not anticipated to be needed for at least another two years.

With this approach identified, the staff is presenting the Commission with the necessary budgetary information to begin its review. Pursuant to the provisions of Government Code Section 56381, the Commission is required to adopt a proposed budget by May 1st of each year and a final budget by June 15th. The staff hereby presents the Commission with a Proposed Budget for FY 2003-04 to review and consider. As a part of this review, the staff is seeking direction from the Commission on any additions, deletions, or modifications to the line items presented. Overall, the budget proposed for Fiscal Year 2003-04 provides for a reduction in costs of approximately 5.3%, for a total of \$666,813 (\$621,982 in total expenses, and \$44,831 in reserves).

Expenses:

The salary and benefit categories include the payment of the 3% cost-of-living increase effective July 1, 2003 for all employees as authorized by the LAFCO Terms of Employment. It includes the anticipated accrual of one full pay period for the upcoming fiscal year and the payment of contract benefit amounts. No other changes within the Salary and Benefit accounts are anticipated in the budget proposed for the upcoming fiscal year.

The staff is proposing the maintenance of current levels of support to activities begun in prior years, such as website activities, maintenance of city and district digitized maps, etc., within the Services and Supplies budget categories. The staff has also included the maintenance of the production support agreement with the County's Information Services Department. Attachment #3 provides an outline of the individual costs for these services for the upcoming year for a total cost of \$39,616 (a reduction of \$12,846, or 24.4%, over the prior year). In addition, the budget presented includes continued authorization for audit services with the County Auditor-Controller's office. The cost for completion of the audit

for FY 2002-03 has been estimated at \$5,525 (an increase of \$255 over the prior year).

Items proposed for elimination are: (1) the Commission's contract for "MetroScan", a service which provides access to parcel maps and landowner data. The County now has available, through its intranet, parcel maps online which removes the need for this service (savings -- \$1,500 per year); and (2) the \$5,000 set aside for Commission-initiated applications. If the need arises for this type of activity, the Commission may allocate resources from its reserves to accommodate the proposal (savings -- \$5,000).

The staff is also proposing the maintenance of a reserve account for the Commission in the amount of \$44,414 for Fiscal Year 2003-04 (shown within line item account 6025). The Commission's reserve, by past practice, has been annually established.

Revenues:

Revenue receipts during the current Fiscal Year are below targets in all categories totaling an approximate \$20,000 shortfall. This shortfall has been offset by an increased carryover from the prior Fiscal Year.

For the upcoming Fiscal Year, pursuant to the provisions of Government Code Section 56381, the net costs of LAFCO are to be divided equally between the County, Cities, and Independent Special Districts. The staff is projecting that the cost to be apportioned next fiscal year will be \$490,000, a \$20,025 (or a roughly 4%) reduction over the prior year. This will be apportioned in amounts estimated to be \$163,333 for each category, with the costs for processing by the County Auditor-Controller added to this charge (the cost for 2002-03 was \$2,604). An estimate of the application of the formula distribution for the Cities and Independent Special Districts is included as Attachment #2 to this report. The Auditor is required to prepare this calculation by July 1 of each year based upon the most current State Controller Reports. If new reports are issued between the adoption of the budget and the distribution of charges, the individual costs may change.

The Proposed Budget, including spreadsheet and narrative discussion, is attached for Commission review and adoption. The staff will be happy to answer any questions at the hearing on April 16th regarding the items presented.

/krm

Attachments:

1. Proposed Budget -- [Spreadsheet](#) and [Narrative](#)
2. Estimated Distribution for City and Special District costs
3. Draft Production Support Agreement with ISD for FY 2003-04